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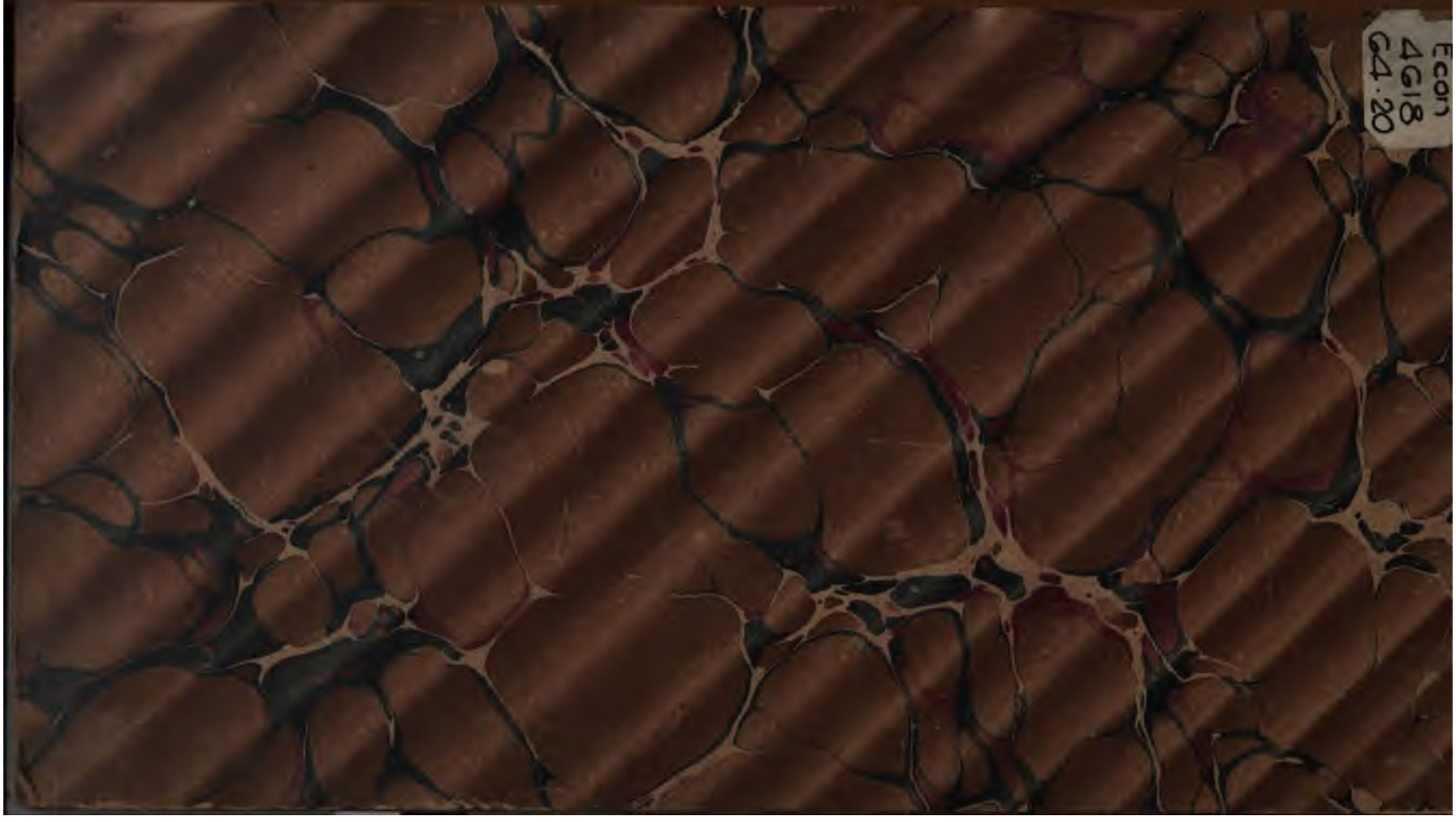

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Debt. Taxation Currency.

By James Gallatin

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1864

THE

NATIONAL

DEBT, TAXATION, CURRENCY,

AND

BANKING SYSTEM

OF THE

UNITED STATES.

WITH SOME REMARKS

ON THE

Report of the Secretary of the Treasury.

BY JAMES GALLATIN.

NEW YORK:
HOSFORD & KETCHAM, STATIONERS AND PRINTERS,
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REMARKS

ON THE

Report of the Secretary of the Treasury,

FOR THE YEAR 1863.

By James Gallatin.

I. Magnitude of the National Disbursements.

The annual report of the Secretary of the Treasury, dated December 10th, 1863, embraces statements of debt and disbursement far surpassing in magnitude the financial transactions of any nation, for the same period, in modern times. Only in the traditions of the ante-historic era do we find a parallel to the stupendous volume of national expenditure now witnessed at Washington. The nearest approach to it during the present era is recorded by Mr. Allison, in his "History of Europe," who states that the expenditures of the British nation, during 1815, the last year of their great struggle with the first Napoleon, reached the sum of £111,000,000 sterling, about £38,000,000 of which was raised by loans, and £11,035,232 of it was paid in subsidies to other nations. In our own case the disbursements of the fiscal year, 1863, were $714,709,995, of which $590,266,682 was provided for by the issue of paper money or loans. The estimates for 1864 amount to $751,815,088, of which $544,978,548 is to be provided for by loans. Assuming

the pound sterling of Great Britain to be equivalent to five dollars of United States currency, the disbursements of the British nation, with the sources of revenue, and those of the United States, would stand thus:

	UNITED STATES		BRITISH
	1863	1864	1815
Expenditure.....	$714,709,995	$751,815,088	$550,000,000
Revenue from Loans	590,266,682	544,978,548	190,000,000
" Taxes, &c.	124,443,313	206,836,540	360,000,000

Sums nearly as large as these have probably appeared in the statements of the rebel authorities at Richmond for 1863; but if they have not, and if by any chance the chiefs of the rebellion should ever publish a statement for the year 1864, our figures will probably be far surpassed in amount, since flour is selling at *two hundred dollars* per barrel at Richmond, and their financial affairs, like their unhallowed schemes of political ambition, are tumbling rapidly into hopeless ruin: that madness which precedes destruction continues to hurry them on to an ignominious fate. Paper money has proved to be the winding-sheet of the once formidable American rebellion of the nineteenth century. If we are wise we shall profit by the folly of the insurgent chieftains in their reliance upon paper money. Our great and glorious country needs no such quackery in finance to sustain this holy struggle for the preservation of the Union. It is true that our vast outlay causes much solicitude in the public mind as to the means of providing for it, in consequence of the natural tendency of so great an expenditure of money to create an insatiable greed of gain, with powerful partizan organizations seeking to perpetuate this lavish distribution among their leaders, regardless of the welfare of the people or the honor of the nation. But there is yet no serious apprehension of immediate embarrassment in providing for the debt incurred, or to be incurred, so long as the amount can be kept at or below two thousand millions, which

would be only fifty dollars to each person of the probable population of the Union at the next census.

II. Necessity for Economy.

To economise our treasure by the election to office of honest, intelligent, skillful and patriotic statesmen is our duty at all times, but in a time like the present this duty becomes of paramount importance, and it cannot be too often impressed upon the minds of the people, whose toil and industry will be heavily taxed for a generation or more to come, to provide the money to pay the interest and the principal of our growing debt. We have now to assume new burthens. As a free people, our principles of self-government are about to experience a new test—and a severe one—in the assumption, management and liquidation of a great national debt, one of the most fruitful sources of corruption in a body politic, whatever may be the form of government. Next to the economy of human life, in conducting the war it should be the aim of government and people to secure economy of wealth by the application of the most judicious systems of taxation, expenditure, funding, banking and currency; for it is more emphatically true of our own than of any former age, that success in war, as well as the maintenance of national existence, depends very much upon the financial resources of the people.

III. Our Sources of Wealth.

Happily for us, this crisis in our national career came upon us, providentially, in the midst of a progressive development of material wealth, such as no people could have hoped to enjoy. Blessed with the natural resources of a continent extending through the temperate and into the torrid zone, and fronting on the two great oceans of the globe; having an active population, well skilled in all the industrial pursuits distinguishing modern civilization; receiving constant accessions of enterprising people from Europe—the agricultural and mineral wealth of the country yielding easily their vast

stores to the willing hands of honest labor—it was only requisite that, with firm reliance upon the favor of heaven, we should possess that unflagging patriotism which could brave all dangers and suffering in defence of our cherished nationality. A million and more of brave men have volunteered to prove with their life-blood that we do possess this patriotism. Victory is now perched upon our banners, and in a few months more we may hope to see the end of the most wicked rebellion known among mankind.

But no amount of resources, however enormous, can be made available for the support of a nation's existence, if waste and extravagance and incompetency be permitted to direct the affairs of state; for a public man, without skill in his department, robs the people and commits treason to the nation as effectually as if he were in the ranks of the enemy, by occupying a position in which ignorance of duty becomes a crime against the life of his country.

IV. Necessity for Skill in the Government—Unusual Powers Entrusted to the Treasury Department.

It has now become a personal matter with every man how the government shall be administered, for we shall no longer witness, during this generation at least, that comparative exemption from taxes which has hitherto been the boast of our country. Labor will undoubtedly continue to enjoy among us that preëminent distinction and those higher rewards which have always characterized this country, as compared with those in which the working people have had to maintain an enormous hereditary aristocracy in addition to heavy government taxation. It is not the honest laborer who will be called upon to make up the largest share of our taxation for the national debt, if we are true to ourselves, but rather those who, squandering wealth upon extravagant luxuries, have, by skillful devices fastened themselves on the productive industry of the people through the medium of a false monetary system. In the great revulsion of 1836–7, when the population was only about half of what it is at

present, not less than *six hundred millions of dollars* in values was destroyed, at the expense of the labor of the country, through false monetary systems; and if attempts be made to bring back such systems upon the country, at a time when the burthens of a heavy national debt press upon the people, may we not hope that the self-interest, as well as the patriotism of the people, will force those who would speculate upon their energies to resort to more substantially productive as well as more honorable occupations?

Of all departments of the government, that of the Treasury becomes henceforth the most important to the production, accumulation and distribution of wealth by and among all classes throughout the country; for with the power now in the hands of the Secretary of the Treasury, he can make wages high or low; he can raise prices or depress them; and he can advance or put down values of property, in his discretion, by the course which he has it in his power to adopt in funding his loans, issuing his currencies, disposing of his deposits and making his disbursements. So overwhelming is the power which Congress has placed in the hands of the Secretary of the Treasury, that it is only the great personal integrity of the citizen who may fill that situation which can save the country from most serious apprehensions as to the future course of our financial affairs. In the early history of our government, the power of the Treasury Department, although much less than it is now, was considered too important to be made independent of the President, and hence the former custom and usage of Congress, when authorizing loans, to confer the authority upon the President of the United States, and to require his approval of all the powers entrusted to the Treasury Department. The first act, changing this course of policy, was that of July 17th, 1861, and in all recent acts of Congress the power of making loans has been taken from the President and given to the Secretary of the Treasury alone. In his present report the Secretary has referred to further powers—an unlimited power to receive deposits, and the power, under

the name of "RESERVE," to issue legal tender currency to meet such deposits—which would make him even more thoroughly the arbiter of the wages of labor and the prices of property of all descriptions than he is at present, if that were possible. The nature and extent of this deposit system, and reserve of issues to work it, will be explained more fully under another head. It is mentioned here only to illustrate the great and unusual powers already, or proposed to be, conferred upon the Secretary, and which, in the hands of a citizen less distinguished for his private virtues, would be considered more than exceptional.

V. The Secretary's theories—their dangers—he is probably deceiving himself with honest intentions.

Admitting the undoubted integrity of the Secretary of the Treasury, it may yet be possible that he is deceiving himself with false theories of money, currency, banking, taxation, and funding; and this seems the more probable from the unusual mistakes into which, as he partly states in his report, he has already been led. He mentions the case of internal revenue, which has fallen so far below the estimates he was led to entertain last year. Another, which he does not allude to, was the extent to which he could issue fractional currency, and which fell so enormously below his expectations. Again, as to his circulating notes, he still insists that they have not been issued in excess of the wants of the country, and still urges the further issue of three hundred millions of paper money, by the proposed banking system like that existing in the state of New York, advocating these as measures which will tend to facilitate the re-resumption of specie payments! It seems almost useless to remark that these theories of the Secretary are wholly at variance with the teachings of experience, and as wide of the views of intelligent business men as the estimates (over eighty-five millions) given to him of his probable receipts for internal revenue, fell short of the amount (not quite thirty-eight millions) he has received! He has seen gold

rise steadily in price with his increased issues. He has witnessed the rise in prices of other property. Yet he avows the most earnest solicitude to keep the currency at par with gold! Unfortunately for most theories, their practical application seldom meets the expectations of their advocates, and the difference between the Secretary's theory of currency, and the fact, is exactly the current premium on gold, or about fifty per cent! It is related of the celebrated John Law, whose paper money theories overwhelmed the French people in frightful calamities, during the last century, that he was himself so thoroughly deceived by his own theories that when he fled from the exasperated populace of Paris, escaping the missiles which smashed the windows of the carriage he had quitted, he was not able to save from his princely estates more than enough to pay his traveling expenses, and became in his exile an object of charity.

Mr. Chase, while advocating a further issue of three hundred millions of bank notes by his proposed new banks, says of the bank notes now in circulation:

"Were these [Bank] notes withdrawn from use, it is believed that much of the now very considerable difference between coin and United States notes would disappear."

This is clearly mistaking a secondary cause for a primary one; and on no subject is the human mind so prone to mistake secondary for primary causes than on this subject of circulating medium. The bank notes in circulation at the time of the breaking out of the rebellion in 1860–61, were about one hundred and fifty millions in the loyal States, and in May last, (1863), they had not exceeded this sum more than twenty millions of dollars; so that the circulating medium, from the bank issues, remained almost uniform. Here is our total paper money, by the latest returns, with what the Secretary proposes to make it:

Legal tender notes in circulation,	$400,000,000
Bank Note circulation in May, 1863,	168,400,000
	$568,400,000
Proposed new bank issues,	300,000,000
	$868,400,000

The bank notes out previous to the rebellion, and still continued in circulation, are payable *on demand* in lawful money of the United States. No part can remain out beyond the demand of the people for them, and they would be paid in specie, on demand, if the United States did not furnish legal tender paper to pay them with. It is thus plainly a violent stretch of conjecture to suppose that excessive circulation is more likely to arise from the issues of paper money constantly payable *on demand*, than from those, the payment of which is postponed to an indefinite period. The circulation of bank notes must necessarily be proportioned to the quantity of United States notes requisite to cash those which may be presented for payment. But the legal tender paper of the United States has no such limitation; it is the ultimate element, unto which the whole paper circulation of the country resolves itself, whether issued by existing banks or by the *new national banks now being established.* United States legal tender paper is the great source of all the paper money circulating throughout the country; and by the increase or diminuation of legal tender paper, the increase or decrease of the circulating notes of every bank in the country is governed, by the irresistable laws of trade. The rise in prices occasioned by the circulation of bank notes can only operate as a secondary cause. That rise which is caused from an excess of United States legal tender notes is a radical and primary cause which—as it alone has produced or can produce any important effects on the general circulation of the country—can alone create a rise in prices. These principles are so plain

that even the Secretary has admitted them, and contradicted himself, since he expressly states that the influence of the legal tender paper upon prices of commodities is "almost, if not altogether," the same as a circulating medium composed of the precious metals. He says: "It is an error to suppose that the increase of prices is attributable wholly or in very large measure to this circulation [United States legal tender notes]. Had it been possible to borrow coin enough, and fast enough, for the disbursements of the war, almost if not altogether the same effects on prices would have been wrought."

If, therefore, "the same effects on prices would have been wrought" by the disbursement of coin, which every person admits would have produced a rise in prices, how is it "an error to suppose that the increase of prices is attributable wholly or in very large measure" to the legal tender notes, which were employed to take the place of coin?

Such are the mazes of contradiction in which theories of paper money constantly entangle their devotees. In his theory of banking, and in his plans for enforcing "uniformity" in the paper circulation throughout the country, he is equally unfortunate; but before entering upon these topics, it seems proper to glance at the suggestion which he has made, as to the comparative influence of paper money and coin upon prices, in connection with the present volume of legal tender notes, which he seems determined to keep in circulation, rather than fund them, he having—as it is understood during the past months—issued a considerable amount from the reserve, that had been kept in hand to meet the deposits which the people had lodged in the Subtreasuries.

VI. Enormous increase of paper money, and rise in prices. The Secretary's plans for increasing it still more by new bank issues, and treasury deposits, with unlimited power of issuing legal tender paper.

The increase of the circulating medium of the country, within two years, to the enormous extent of four hundred millions (or four hundred and twenty millions), of legal tender paper, could only have been effected by the abandonment of the principle of cash payments at the Treasury, which ever since the establishment of the "Sub-treasury system" has been considered the corner stone of American credit. Such an increase could never have existed, but for the rash attempt of the Secretary to extend that "system" to the proceeds of the loans obtained by him, in 1861, from the banks of the three cities, taking from them, in order to effect that object,—as stated by himself, in a late public speech in Ohio,—one hundred and seventy-five millions in coin, which large sum was recklessly scattered to the four quarters of the globe. The necessary consequence of such an increase of the circulating medium, resulting from the suspension of cash payments at the Treasury, is that general rise in prices which all feel and deplore.

If instead of so much additional paper money, this country had acquired by *supernatural means* the same additional currency in coin, within the same period, this influx it is true could not have failed to produce a very great rise in prices of property and wages of labor, although experience teaches that it could not have been as great as that which has been occasioned by the legal tender paper; for if a *miracle* had produced so much gold and silver, it would have required *another miracle* to have kept it among us, since the general rise in prices would have brought into the country all descriptions of articles of general consumption, in exchange for our surplus gold and silver, the latter going to foreign countries by the natural rise in bills of exchange on those countries, gold and silver being the currency of *the*

world, while our legal tender United States notes circulate only among ourselves, having no intrinsic value in other countries. These notes cannot be exported, and the inevitable consequence of issuing them in excess, is a rise in the price of gold and silver, or the depreciation of the notes, which is the same thing, the premium on gold being equivalent to a corresponding discount on the paper. It is a principle universally recognized, that the augmentation of paper performing the functions of money, in any country, has a tendency to depreciate that paper, and this principle is as uniform in its operation as the law of gravitation. It cannot be denied, for the observation of every man confirms it, that the increase in the prices of almost all articles, which has been steadily going on for more than a year, and is now arriving at so great a height, is caused chiefly by the addition to the circulating medium made by the Secretary, with his issues of legal tender paper, uncontrolled by the obligation of paying them in specie, on demand. After the war of 1812, the greatest depreciation of the currency at New York, in October, 1815, was sixteen per cent. discount; and at Baltimore, in 1816, twenty-three per cent. discount, but the discount at the present time on our government legal tender notes, gold being at fifty per cent premium, is thirty-three per cent.

Nothing can be more commendable than the professions of the Secretary in favor of keeping the currency near par with specie; but unfortunately these professions are not new, having been repeated at intervals during the past two years, while his *practice* is to steadily augment his issues, urging on, at the same time, the organization of new banks to increase still further the paper money in circulation, and now advocating in his present report the opening of the Treasury to unlimited deposits, with the right of paying such deposits from his reserve, with legal tender, without limit. No necessity for these unlimited issues seems to exist in the state of the money market, for the absorption of the loans is so great that if he chose to negotiate them at a slight discount

he could supply the wants of the Treasury more rapidly than they accrue.

VII. The new banking system—Its defects and dangers—Amendments suggested.

It has already been stated that the new banking system is similar to what is called the free banking system of the State of New York, so far as regards the principal of securing the notes by deposit of public stocks, which was taken from the system adopted in the case of the Bank of England, holding a certain amount of public debt. In many other respects, however, the system proposed at Washington has been altered for the worse. The circulating notes are redeemable only where issued. Security being lodged for the notes, the banks can have little or no security to furnish the government for deposits lodged with them. Under the old "pet bank" system, as stated by Mr. Guthrie, Secretary of the Treasury, in his report of December 1st, 1856, there were balances due "from the late deposit banks;" or, to "secure said balances," to the sum of $1,609,072 32, of which he remarked: "most, if not all, of it is lost by lapse of time and insolvency." Is it judicious to reinaugurate a pet bank system, offering inducements for such defalcations, at a time when the country is severely taxed for the heavy expenditures of the war? However, it is avowed by the Comptroller of the Currency, in behalf of the Treasury Department, that the aim of the government is to wind up existing banks and supersede them by the proposed new ones. If Congress shall continue to sanction the scheme, it is indispensible, for the safety of the country, that the law should be amended; for in the winding up of existing banks and the sale of their stocks of specie, which have inspired confidence at home and abroad in the financial strength of the government, we shall be launched upon tempestuous seas if the law remains as it is. The amendments and measures which seem to be required are:

1. To require each bank to procure and hold a certain per centage of coin or bullion upon the amount of its demand liabilities, as a part of the twenty-five per cent. reserve provided for now in the law.

2. To have the bills redeemed at some one central point, on demand, in lawful money of the United States. "A uniform national currency," issued and redeemable at different places, is a chimera. To be "uniform" it is indispensable that it should be redeemed at some central points—say New York, Boston, and Philadelphia.

3. That no bank commence business until the declared capital be paid up in full, with the right to increase such capital from time to time.

4. That the forfeiture of the interest charged shall be the penalty for usury, except in the case of banks located at sea ports, which shall be permitted to collect the rate of interest agreed upon for discounting business paper having not more than ninety days to run.

5. The stocks pledged for the redemption of circulating notes to be registered at Washington, and prohibiting by law the transfer thereof until such notes be redeemed. When thus registered, the certificates of stock, stamped on their face as not transferable except for redemption of the notes, could safely be returned to the custody of the bank, and thus avoid the lodgment of hundreds of millions of stocks in the hands of a single individual at Washington. Recent frauds or defalcations in the Treasury prove this to be judicious.

6. Congress to pass a joint resolution of both Houses, appealing to the State Legislatures to pass enabling acts for the state banks to organize under the United States banking system.

7. State Banks organizing under the law, to be permitted to retain their own names. An unusual stretch of power has been exercised by the Secretary of the Treasury, for which there seems to be no authority in the law, requiring every bank to be known by "a number." This arbitrary rule is so

destructive to that individuality which gives rise to, and is a reward of, enterprise and skill, that it recalls the edicts of "uniformity" and "conformity" of benighted countries and times. Among savage or barbarous tribes, family names are unknown, and in semi-barbarous countries all that love of individuality which characterizes the progress of advancing civilization, is studiously repressed. It is to be hoped the Secretary will, upon reflection, retrace this step toward barbarism, recall his numerical edict, and permit each bank to be known by something more expressive than a mere number. Names are much more easily impressed upon the mind than numbers, and as the credit of the proposed banks may be endangered by attempts at fraudulent banking, it would seem desirable to add, or permit the use of, distinctive names, as much confusion must necessarily arise from even a single failure among the new banks having only one name. Uniformity of name already causes much confusion, in cities where more than one national bank has been organized, at the counters of banks, at the post office, among messengers, express carriers, &c. The confounding of names by the public makes "confusion worse confounded" in financial dealings with such banks. In New York, for example, No. 1 is in the extreme southern portion of the city, while No. 2 is some miles in a northerly direction, and people mistaking one for the other are compelled to lose much time in correcting their mistakes, while the officers and employees of the banks themselves require all the patience and good nature of the most "good-natured-man" to get over the annoyances incident to being "known by their numbers." Were the Secretary himself, or the Comptroller of the Currency, or both, stationed at the desk of such a bank for a single business day, we should probably have within twenty-four hours thereafter, an "appeal to Congress" for an act abolishing the designation of the new national banks by "simple numerals," and requiring each to take "a proper name."

8. **The Treasury Department to exact security of each**

bank for the public deposits lodged with it. Why should not a bank give that security which is required of the Assistant Treasurers? It is contrary to every principle of sound government to sanction a system of finance that places the public money in the hands of parties not responsible to the government, without security; and if it be wise to exact security for the notes circulating in the hands of the people, it is no less so to require security for the money of the people lodged in the hands of the banking associations.

These measures, promptly adopted by Congress, would render the proposed banking system more palatable than it now is to the people, who see in it a wild inflation and a disastrous monetary revulsion, to come upon them all at no very distant period. The first measure suggested is of vital importance to the national credit, for if all banks organizing under the law are to do so, without holding any coin whatever, which is the case so far—and if State Banks, now holding specie, wind up and sell out their coin, preparatory to reörganizing under the law, without any specie—it is obvious that the coin will be bought up by commercial establishments for shipment to other countries (except what may be hoarded and that required for duties, to be paid out for interest on the public debt), leaving the whole banking system of the country in the anomalous condition of banking wholly upon paper. In the case of the State banks, which now hold specie, they cannot reörganize under the law without forfeiting their charters and selling their coin. Hence, the suggestion (No. 6) that both Houses of Congress, by joint resolution, appeal to the Legislatures of the States to pass enabling acts sanctioning the organization of the State banks under the national law, without compelling them to wind up their affairs and go into liquidation. In the case of banks already organized under the law, would it be sufficient to require them to retain for a certain number of years, or until it had reached a certain per centage of their demand liabili-

ties, the coin paid to them by the government for interest on the public debt held by such banks?

VIII. The Secretary's Proposition for an Unlimited Deposit System, to be Worked by Discretionary Issues of Legal Tender—Origin of the Legal Tender Scheme—Vast Expansion Proposed by Writers in this Country and in England—Fate of the Rebel Currency—More of the Deceptions practiced upon the Secretary.

When Congress limited the right of the Secretary to receive deposits on interest to the extent of one hundred millions, it was stipulated that there should be held in reserve, to meet these deposits when called for, a certain amount of legal tender notes. This reserve, when used in payment of the deposits, becomes, to the extent issued, an addition to the volume of legal tender notes circulating in the hands of the people. How that reserve has been disposed of, and the practical working of this deposit system hitherto, are matters which need not here be explained. The Secretary now proposes to extend this deposit system, in these words:

"The Secretary perceives no solid reason for retaining the restriction on loans, in this form, to one hundred millions of dollars. It may, as he thinks, be usefully removed. As the advantages of these deposits become better and more generally understood, the loan in this form will doubtless, in the absence of restriction, be largely increased, and the possibility for demands for reimbursements, beyond means to meet them, can be fully provided for by an increase of the existing proportion between deposits and reserve.—Such an arrangement, the Secretary inclines to think, would operate beneficially by increasing the amount of currency when unusual stringency may require increase, and reducing its amount when returning ease shall allow reduction." (Page 16). He proposes, on page 18, "the repeal of the existing limitation of the deposit loan to one hundred millions of dollars, and the substitution of a provision for a reserve equal in amount to half the deposit." But he

appears to have wholly overlooked the situation in which he would be placed, should the public call for their deposits to an amount exceeding his proposed reserve; in such a case, he could not stop payment and confess bankruptcy. He would be compelled to make legal tender issues equal to the public demand for the deposits; aud hence it is evident that this proposal to create a deposit system without limit is in fact a proposal to issue more legal tender paper *without limit!*

And, yet, the Secretary appears to be wholly unconscious of the consequences of the measure he proposes, for on page 17, he says: "The limit prescribed by law to the issue of United States notes has been reached, and the Secretary thinks it clearly inexpedient to increase the amount." No doubt he speaks the honest convictions of his heart. But others do not think with him. One writer, as late as September, 1863, in a pamphlet issued in Philadelphia, advocates unlimited issues. The most extraordinary and persistent efforts have been made to induce the Secretary to go on with the issues of vast volumes of paper money, in one form or other, under the most specious disguises, ever since he entered upon the duties of his office; and our only hope of being saved from such a ruinous course seems now to be the warning so opportunely given in the collapse of the seven hundred millions of paper money issued by the miserable leaders of the insurrection at Richmond. It is difficult to trace those theories of paper money which have been so persistently urged upon Mr. Chase, and to so great an extent embraced by him, to their most recent sources. They first appeared in France, under the direction of John Law, culminating in disaster and ruin to the French people in the early part of the last century. To Mr. McCulloch, the celebrated English writer on commerce and currency, is supposed to belong the credit or discredit of having revived them in our own time, by expressing an opinion that the unjust influences of a paper currency might be partially if not wholly removed if it were issued by or under authority

of government, and made a legal tender. This opinion appears to have been the cause of a powerful agitation that has sprung up in England and Scotland, extending to this country, if it did not originate here, in favor of unlimited issues of legal tender paper. MR. ALFRED LUTWYCHE, of Birmingham, England, writing in December, 1856, proposed that the British Government should issue legal tender paper money in exchange for government consols, paying out the consols in exchange for the paper money, without any limitation. He also advocated at that time the unlimited deposit system now proposed by Mr. Chase, giving precisely the same reason for its adoption. But Mr. Lutwyche, in a recent publication, admits that others had thought of the same measures, and urged them, before he proposed them. He says:

"The author was not aware at the time he published the suggestion that any similar proposition was before the public, but it was pointed out to him by the late G. F. Muntz, that a plan very like it was proposed in a work, entitled "Currency Self-Regulating," published in 1855, by Mr. McPhinn of Glasgow, and shortly after Mr. James Harvey of Liverpool, furnished the writer of this with a copy of a pamphlet, published in 1849, by the "Liverpool Currency Reform Association," in which is proposed a plan exactly the same as the one now re-submitted."

But there is reason to believe that Mr. Erskine Hazard of Philadelphia, preceded the English writers, for in a pamphlet dated 26th September, 1863, he says he proposed, in 1839, that the United States Government should issue legal tender paper money, and communicated his views by letter to Mr. Chase, December 17th, 1861, as well as to Hon. Thaddeus Stevens, chairman of the Finance Committee of the House of Representatives. He says: "I do not know that either of these letters was received, as I have had no communication to that effect from either of the gentlemen to whom they were addressed. The only reason I have to suppose they were received is, that the phrase "*when presented in multi-*

ples of fifty dollars" which was used in my letter, occurs in the law *which was soon after brought before Congress.*"

The extraordinary similarity between the plans of Mr. Hazard, and those of the English writers, and of Mr. Chase, is best illustrated in the following quotations from the writings of each:

Mr. Hazard says:—"The funded debt absorbs whatever [legal tender notes] would form an excess of circulation.... The surest and safest reliance is the legal tender system extended so as to occupy the whole circulation of the country.....The [legal tender] Treasury Notes are to be redeemed by bonds, and bonds are to be purchased by the issue of [legal tender] Treasury Notes."

Mr. Alfred Lutwyche of Birmingham, England, adopts the following defence of this system, proposed by him in 1856, from a paper issued by the "Liverpool [England] Currency Reform Association":

"It may be objected that, under this system, the whole amount of the national [English] funds might be converted into money, and the country be over supplied. The Association have no such fears, as the demand for money is necessarily limited by the ability of employing it profitably,—the supply of it may be left to adjust itself to the requirements of trade."

In Mr. Chase's Report, December 10th, 1863, he defends this *unlimited* deposit system in these words:

"Such an arrangement, the Secretary inclines to think, would operate beneficially by increasing the amount of currency when unusual stringency shall require increase, and reducing its amount when returning ease shall allow reduction."

The deceptive character of these theories has been so often demonstrated, without convincing their advocates, that we shall owe our escape from their full application by Congress, at the present juncture, most probably to that great illustration of their folly, which is now being enacted in the insurgent States, where *seven hundred million of dollars* of

currency, that was convertible into *eight per cent.* bonds, has sunk so low that, at last accounts from some of the cities yet held by the rebel chiefs, one dollar in real money would buy twenty dollars of it! Yet that money was *convertible!*—convertible into eight per cent. bonds! Why then has it gone the way of all such currencies? Is it because the Southern people, giving up all expectation of success, are ready for an unconditional surrender, and desire to prove to the world, by the very worthlessness of their money, that they had no heart in the rebellion, drafting their whole able-bodied male population only to be slaughtered by the armies of the Union? Or is it from the law of depreciation, inherent in paper money issues? What is it has saved our financial system from heavier depreciation than we have yet experienced, but the limitation of the volume of the issues, the payment of the interest on our bonds in gold, the retaining of large stocks of gold in the country, and the collection of duties in gold? And yet, as if to destroy the last vestige of our safety, the gentleman (Mr. Hazard, of Philadelphia) who seems to have originated the United States legal tender measures, proposes in his pamphlet, already referred to, to dispense with gold altogether as a currency, to cease to exact it for duties, and to cease to pay it for interest on the bonds of the nation. He says, on page 3:

"It was a great mistake in Congress to make the interest on the United States loans payable in that medium (gold), for it was done on the popular fallacy, that gold was a *better* payment than legal tender notes." On the same page, he suggests how "the use of gold, in payment of interest and duties, could still be avoided to a great extent."

One of the men of the Revolution, writing at Philadelphia in 1786, remarked:

"It was horrid to see, and hurtful to recollect, how loose the principles of justice were let by means of the paper emissions during the war. . . . . As to the romantic, if not hypocritical tale, that a virtuous people need no gold and silver, and that paper will do as well, requires no other

contradiction than the experience we have seen. Though some well-meaning people may be inclined to view it in this light, it is certain that the sharper always talks this language. There are a set of men who go about making purchases upon credit, and buying estates they have not wherewithall to pay for; and having done this, their next step is to fill the newspapers with paragraphs of the scarcity of money and the necessity of a paper emission, then to have it made a legal tender, under the pretence of supporting its credit; and when out, to depreciate it as fast as they can, get a deal of it for a little price, and cheat their creditors: and this is the concise history of paper money schemes."

The Secretary says: "Certainly there ought to be no difference in favor of coin, when it is remembered that United States bonds, bearing six, or even five per cent. coin interest, are intrinsically worth—unless the theory of national bad faith, or national insolvency is to be admitted—more than their amount in coin, and yet such bonds can now be had for their amount in United States notes."

What does the Secretary mean? He asserts that the United States bonds are "intrinsically worth" more than their amount in coin, yet they can be had for their amount in United States notes, being thirty-three and a third per cent. (gold being at fifty premium) below their price in coin. Why are the bonds so low? Because of the excessive issues of legal tender paper. As to *intrinsic worth*, the bonds cannot be sold for coin, except at a great depreciation—nor is any description of property sold for coin—and when people in Europe can send their gold here and get fifty per cent. more than its nominal price, in United States bonds, our own people must continue to bear the loss of thirty-three and a third per cent. Every article sells according to the market price, or the supply and demand, not altogether according to its supposed intrinsic worth. A large quantity of anything, yet to come on the market, naturally tends to keep down the price, irrespective of any apprehension or fear of the final insolvency of parties issuing bonds or obligations.

At one period the bonds of the State of New York, owing to the quantity put on the market, and not to any fear of the State solvency, sold at more than twenty per cent. discount; and in the case of numerous failures of his new banks, and the offer of a large amount of United States stocks in the market at any one time to redeem the circulating notes of the banks failing, the same rapid fall in the price of United States stocks would naturally take place.

The ideal term used by Mr. Chase, *intrinsic* worth, as distinguished from *real* (money) value, has haunted the brains of all speculators on money from the time of Law downwards. Now, this term, *intrinsic* worth, is an abstract idea, as applied to the value or worth of United States bonds, which abstract idea becomes the Secretary's standard of value. Dugald Stewart has demonstrated in his work on the "Elements of the Philosophy of the Human Mind" (Chapter on Abstraction), that there can be no such thing, except in the imagination, as an abstract idea. This is certainly true, as applicable to all money values, therefore an ideal standard of value (*intrinsic*) is a thing inconceivable; an actual commodity of known value is required as a standard, distinct from the conception of something valued; it is this actual commodity (gold and silver) to which, in all cases, must be referred the degrees of value of all transferable property; government bonds are regarded in the market as mere articles of barter—as goods or chattels—and are bought and sold as such. The price of every article, or its value in exchange, is determined by the proportion which the supply bears to the demand; if the supply is enlarged while the demand continues the same, the price of the article (United States bonds) must diminish, the depreciation arising, not from the credit of the government having become less, but from the quantity of government bonds having become too great.

IX. Deceptive Character of Paper Money—The Comptroller vs. The Secretary—Ruinous Consequences Morally, Socially and Politically of Paper Money—Experience of Former Times.

Although the Secretary seems inclined to think there is enough of paper money afloat, yet the unlimited deposit system which he advocates, and his great desire to get out the three hundred millions of new bank paper, are evidences of the deceptive nature of his own expressed views of paper money. The flood-gates once opened, where is the deluge to stop? Already we hear it proposed to repeal the limitation of the new bank issues! to make them also *unlimited!* Had Mr. Chase read the Report made to him, November 28th, 1863, by his Comptroller of the Currency, he would have found the following language on pages 8 and 9:

"An increase in the circulating medium inflates prices. High prices require an increased (or increase of) circulation, and so they act and reäct upon each other, and there appears to be no redundancy of currency, no matter how vast the volume may be, until a collapse takes place, and what was supposed to be real prosperity is shown to be without a substantial foundation."

But the Secretary says, of his proposed unlimited deposit system, page 16, of *his own Report:*

"Such an arrangement, the Secretary inclines to think, would operate beneficially, by increasing the amount of currency when unusual stringency shall require increase, and reducing its amount when returning ease shall allow reduction."

It is difficult to understand the Secretary's views of "unusual stringency," and "returning ease," at a time when the circulation of the loyal states has been increased, from one hundred and fifty millions, by the addition of four hundred millions of legal tender notes, and he is fostering the further issue of three hundred millions of new bank paper! with gold at fifty per cent premium!

In 1786, when this country had very recently passed

through the ordeal of a great issue of paper money, an able writer said:

"The evils of paper money have no end. Its uncertain and fluctuating value is constantly awakening or creating new schemes of deceit. Every principle of justice is put to the rack, and the bond of society is dissolved: the suppression therefore of paper money might very properly have been put in *the Act for preventing vice and immorality.* Paper money is like dram drinking, it relieves for the moment by a deceitful sensation, but gradually diminishes the natural heat, and leaves the body worse than it found it. Were not this the case, and could money be made of paper at pleasure, every Sovereign in Europe would be as rich as he pleased. But the truth is, that it is a bubble, and the attempt vanity. Nature has provided the proper materials for money, gold and silver, and any attempt of ours to rival her is ridiculous."

"Money when considered as the fruit of many years' industry, as the reward of labor, sweat and toil; as the widow's dowry and the children's portion, and as the means of procuring the necessaries and alleviating the afflictions of life, and making old age scene of rest, has something in it sacred, that is not to be sported with, or trusted to the airy bubble of paper currency."

"As to the assumed authority of any Assembly in making paper money, or paper of any kind, a legal tender, or in other words a compulsive payment, it is a most pre-sumptuous attempt at arbitrary power. There can be no such power in a republican government. The people have no freedom, and property no security where this practice can be acted; and the committee who shall bring in a report for this purpose, or the member who moves for it, and he who seconds it, merit impeachment."

The revolutionary tendencies of a debased currency of coined money, and of paper money, are established by the history of all nations. In our own history, there have been tremendous struggles of the people to get rid of the authors

and advocates of paper money theories, whether of bank paper or government paper. The same thing has been witnessed in several of the nations of Europe. The revolutionary era of France had its dawn in the vast paper money schemes of Law. The debasing of the coined money, which is the same as issuing paper money, is stated to have been "one of the principal means of finally overthrowing the power of the Stewart family in Ireland," of which *Leland's* history gives the following account, so closely resembling the operations with paper money in our own time: "Brass and copper of the basest kind, old cannon, broken bells, household utensils were assiduously collected; and from every pound weight of such vile materials, valued at four pence, pieces were coined and circulated to the amount of five pounds nominal value. By the first proclamation they were made current in all payments to and from the king, and the subjects of the realm, *except in duties on the importation of foreign goods*, money left in trust, or due by mortgage, bills or bonds; and James promised that when the money should be decried, he would receive it in all payments or make full satisfaction in gold and silver. The nominal value was afterwards raised by subsequent proclamations, the original restrictions removed, and this base money was ordered to be received in all kinds of payments. As brass and copper grew scarce it was made of still viler materials, of tin and pewter, and old debts of one thousand pounds were discharged by pieces of vile metal, amounting to thirty shillings in intrinsic value."

One of the evils of paper money, it has been remarked, is, that it turns nearly all classes of the people into speculators and gamblers. In 1780, when the repeal of *legal tender* laws was up in the Assembly of Pennsylvania, Col. Bayard, the Speaker, being called upon to give the casting vote, said: "I give my vote for the repeal from a consciousness of justice; the tender laws operate to establish iniquity by law." But in 1863, a writer in Pennsylvania argues that "on the exclusive legal tender system, the great difficulty will be to

keep up a national debt, not to pay it off." Evidently, he does not read the newspapers, else he would have known the fate of the rebel paper money.

In recapitulating his measures, the Secretary of the Treasury says:

"In these several ways may even such great evils as are brought upon us by rebellion be transmuted, by a wise alchemy, into various forms of utility. The Secretary has endeavored to use this alchemy, with what success the country will judge when time and trial shall have applied to his work their unfailing tests."

Unfortunately, of his excessive issues of paper money, which were so uncalled for, and which could have been avoided had he put his stocks on the market, the following, from an old writer, will enable him to anticipate the judgment of his country:

"I remember a German farmer expressing as much in a few words as the whole subject requires, 'Money is money and paper is paper.' All the invention of man cannot make it otherwise. The alchemyst may cease his labors, and the hunter after the philosopher's stone go to rest, if paper can be metamorphosed into gold and silver, or made to answer the same purpose in all cases."

The Secretary has referred to the rise in railroad bonds from increased income, and in cotton from deficient supply. He overlooks the gambling in stocks of all kinds, prices rising one hundred or two hundred per cent., without any increased income; the numbers of people drawn from industrial pursuits, to become speculators in stocks, gold, produce, &c.—reminding one of that historical caricature, produced at Paris in the time of Law, having in the centre a portrait of *Lord Quincampoix*,* with a motto, "*aut Caesar, aut nihil.*" A crown of peacock's feathers and thistles, presented by folly, bore the inscription, "I am the sport of

*The great speculative transactions in funds and property at that period took place in a public street, the *Rue Quincampoix.*

the wise and the foolish." Beneath the portrait was a smoking cauldron, which an attendant devil kept boiling with new supplies of paper; an "Operator" stood near, throwing handsfull of gold and silver into the cauldron, which melted and sunk to the bottom, and nothing returned but new scraps of paper; despair stood by, ready to seize the unfortunate wretch, as soon as he had completed his insane operation.

Our large cities are witnessing the same phases of insanity, from our excessive issues of paper money; but we have the satisfaction to know that Mr. Chase may, if he pleases, by a timely exercise of patriotism and wisdom, by calling in and reducing his paper money issues—means being at his command, for effecting that object—reïnstate himself in the affections of the people and become more illustrious in the best sense of that word, than any alchemyst known to history. His memory will thus escape that ambiguity which hangs around the character of the alchemyst of the middle ages, thus hinted at by *Horsley*:

"Time was when I know not what mystical meanings were drawn by a certain cabalistic alchemy from the simplest expressions of holy writ."

X. Financial Measures of the Secretary—Causes of the Failure of Some and the Success of Others—Aid of the Banks, and Success of their United Efforts—Attempt to Make War on the Old Banks—Failure of the Attempt—False Friends of the Administration—National Banking System Originated by the Sound Financial Policy of the City Banks—How the New System may be Made Successful.

Among the assumptions of the Secretary, not the least remarkable is that which prefaces the review of his successful measures, attributing to the Loan Act and National Bank Act, that revival of public credit which, by his own preceding confessions, was mainly owing to the success of the army and navy in suppressing the rebellion. He confesses that the want of this latter success had depressed the public

credit, and as no new national banks had been organized at the time the public credit revived, it is evidently a great error to attribute that revival to the creation of banks which had no existence at the time the event occurred. It was the want of military success, the mismanagement of the War and other Departments, with the proposed deluge of legal tender paper money, which depressed public credit so fearfully in 1861–62. Shameful incompetency, with all the self-conceit of ignorance, distinguished the early efforts of many of the officers of the government, immediately upon the accession of the administration, in 1861. In the finances there was total paralysis, until the New York banks and merchants took hold of the negotiation of the loans, which they did as soon as the administration came into power, uniting the banks and capitalists of Boston and Philadelphia with those of New York in harmonious support of the government, until the Secretary, having secured one hundred and seventy millions of coin, not having the skill to organize a banking system in the Sub-Treasuries upon a reserve so vast—equalling that of the greatest banking institution in the world—by his policy broke the banks, suspended cash payments at the Treasury, and then proposed to supersede the existing banks with new ones, organized under his own immediate supervision, and subject to the Treasury Department.

And I will here say, in justice to the officers of the banks of New York, Philadelphia and Boston, that the union of these banks, and the inception and completion of the arrangements for making the loans to government, all originated with the bank officers. Mr. Chase was in no way the author of the movement. All he had to do was to come to New York and meet the representatives of the banks, and sign the requisite papers completing the loans. All that he did was to insist upon drawing their specie from them for the proceeds of the loans, which the most experienced bank officers told him must result in disaster and in the suspension of specie payments. This measure, so disastrous to all concerned, and the new banking scheme, altered from the New

York system, appear to be the only financial measures originated by the Secretary, which stand forth in bold relief before the country.

In his internal revenue system he has failed as disastrously as he has in his currency theories. He was urged by merchants of New York, Boston, &c., to adopt an internal revenue tax upon sales of merchandise, calculated to give him one hundred and fifty millions a year, but instead of that we have a complicated system, employing an army of revenue officers, with one of the most expensive systems of assessorships, collection districts, &c., &c., that ever oppressed a tax-ridden people. That ridiculous and absurd "job" of engraving revenue stamps of the various sums for each and every kind of document, at a heavy expense to the country, prohibiting the use of any but the stamp designated for the document upon which it was made to be applied, is a fair illustration of that shameful ignorance governing our national affairs at the outset of our troubles. But the failure of his internal revenue is unquestionably owing more to the *imperfect execution* of the law than the failure of the resources of the people to respond to its requirements. Why is not the law enforced?

As to what he says of "vigor in the prosecution of the war," and "economy in every branch of expenditure," whose fault is it that they have not been secured? Is he not one of the government, responsible for "vigor" as well as "economy?" It is not possible for one member of a cabinet to escape the responsibility belonging to an administration of which he continues a member. If affairs go wrong, he should resign, if he desires to escape censure for the mismanagement of his colleagues. He says: "Nor is rashness in war vigor." To whom this alludes it is difficult to conjecture.

As to the "direct contributions" required from the people, they can only be secured by taxation, and if the customs are likely to fail in yielding enough to pay the interest on the debt, the internal taxes can, by legislation, be made payable in gold or its equivalent.

The great increase of debt which he deplores was easily avoided, to a considerable extent, had he chosen to refrain from paper issues, so that prices would have been kept down. Instead of twenty-two hundred millions, on the 30th of June, 1865, as it probably will be, he might have kept it at fifteen hundred millions by that date had he refrained from his excessive issues of paper and put his loans on the market. But having broken the banks, there was not skill enough in his department to make the specie of the country available for a sound currency; and now, much of our safety in the future depends upon the state of the crops and of the continuance of peace in Europe, for we are almost at the mercy of the banks of England and France with our inflated paper system, the premium on gold liable to be urged up to high rates by the application of an increase in the rates of interest in England and France, or favorable crops in Europe draining us of coin. The export of our coin continues in large volume, under that boasted "uniform currency" which the Secretary lauds so highly, with gold at fifty per cent. premium, and "green backs" quoted at thirty-three discount at San Francisco. In fact, we have had no "uniform currency" since his policy compelled the suspension of the banks.

The pressing urgent necessity of "taxation" is well proved by what took place in 1861, when a Committee of Bank Officers, then assembled at Washington, urged Congress to pass a joint resolution in favor of adequate taxation. That resolution revived public confidence instantly.

The "sacred obligation that not one man should be wasted and not one dollar misapplied," is not generally felt as it should be, it is to be feared, especially among those who have the making of laws governing expenditures. But the Secretary does well to remind his readers of it. There are other "obligations," however, which seem to sit lightly upon our public men, and among these is one which *he* might have discharged by at least an acknowledgment of the services rendered to him and the goverment by the Banks of the

three cities, when, unable to move hand or foot, the government was exclaiming with the ancient Roman,

"Help me Cassius, or I sink!"

he came to New York, was received so patriotically and so liberally supported. That dark hour of the country's history had only one parallel. That was in 1780, in the spring—memorable for the accumulated misfortunes which threatened to overwhelm the young republic, or to strangle it in its infancy. Charleston, the key to the Carolinas, had fallen into the hands of the British. There was no money, very little credit, and much apprehension as to the future, especially in the army, where only the fortitude of Washington, his pure patriotism, and unsullied character, with the holiness of their country's cause, restrained the men from throwing down their arms in despair! It was the gloomy midnight hour of our revolutionary struggle. Washington wrote to the Legislature of Pennsylvania, which happened to convene at an unusual time—the month of May—at Philadelphia, the Congress not being in session. Washington's letter informed the Assembly, in substance, that notwithstanding the confidence he felt in the attachment of the army to the cause of the country, the distress which existed throughout the ranks for the want of every thing which men could be destitute of, had become so overwhelming, and the appearances of mutiny and discontent were so strongly marked on the countenance of the army that he dreaded the event of every hour. This letter was followed by despairing silence in the House. No one spoke for some time. At length one member rose. "If," said he, "the account in that letter is a true state of things, and we are in the situation there represented, it appears to me in vain to contend the matter any longer. *We may as well give up at first as last.*"

Another member, with more courage, observed: "Well, well, do'nt let the House despair, if things are not so well as we wish, we must endeavor to make them better." The House adjourned without doing any thing farther. What

could they do? Members had come to the session with petitions from the people, asking to be released from payment of taxes. No money in the treasury, the paper money depreciated so low as to be almost worthless. In fact, the public credit was wholly unequal to the awful crisis. The taking of Charleston let loose a large British force to return and join that at New York. Washington's army needed ten thousand more men at least, besides the actual necessaries of life. Happily, capitalists were found in Philadelphia equal to the emergency. Blair McClenaghan, an energetic merchant, took a subscription list, called to his aid the celebrated Robert Morris, each subscribing "two hundred pounds in hard money,"—the paper money had nearly gone under,—and they raised in all "four hundred pounds hard money, and one hundred and one thousand three hundred and sixty pounds continental," for bounties to promote recruiting. A general meeting of citizens was called. A bank was formed. By means of this bank the army was supplied through the campaign, was recruited and enabled to keep its ground. Robert Morris was appointed superintendent of the finances and perfected the organization of the bank as a national institution—the celebrated Bank of North America. Congress, when it met, did not have to receive and pass into law the request of a Secretary of the Treasury to supersede that Bank with new ones, upon a "pet system" of his own. No, on the contrary, acting on principles of patriotism and the public good, they cherished an institution which had rendered such signal services to Washington and his army. Pennsylvania had found men to organize that bank, who were an honor to the state, and whose services the representatives of the whole Union were proud to acknowledge. That was in 1780. How like the history of those gloomy days of 1861, when members of the government at Washington, stood with their trunks packed, uncertain at what moment the rebel *horde* might take the capital and send them on their travels, they knew not whither. Without money, or credit—without an army or navy—

treason on every hand—not knowing whom to trust—the merchants and bankers of the interior paralyzed—one great western banker, since elevated to high position in the treasury department, gathering in the gold into his coffers and refusing to exercise his ability to aid the government. Then, in that trying hour, the merchants and bankers of New York came forward, with their aid and council, joined by those of Boston and Philadelphia, and dispelled the gloom! The country was saved! And the Secretary of the Treasury was rescued, individually and officially, as no Finance Minister was ever rescued before. But the service appears to have not been worth an acknowledgment. Nay, the destruction of the very institutions which aided him and rescued the country from rebellion and anarchy, has been, ever since, apparently, his settled policy; for he even now in his present report, asks that they be absolutely prohibited from having any right to issue circulating notes, as provided in the national banking law, in exchange for stocks deposited at Washington, proving that he contemplates adding (new) bank currency to (old) bank currency, and augmenting the inflation of paper money. He also declares that the relinquishment of their names has been made by himself a condition of their reörganizing under his national law, while his Comptroller of the currency confesses that it is proposed to drive out or supersede all existing banks by the new ones.

Why this war upon the old banks? The people do not respond to it. It is absolutely restricted to the halls of the Treasury Department. Every effort to discredit the existing banks—all attempts to excite prejudice against them by charging them with sympathy with the rebels—intimations of partizan hostility to the administration—all these so persistently brought forward by the paper money speculators, who swarm around the Treasury Department like vermin on the banks of the Nile, have failed to make any impression upon the public mind. In fact the effort to get up a partizan feeling against the old banks is a failure. It is worse than a failure, it has proved to be a mistake! It was too

transparent, too childish, to be successful! If there was any cause for the withdrawal of their circulation, in order to give the government the whole field, they were and are prepared to second the proposition. No bank or bank officer has petitioned Congress against it. And as to the proposed national law, it is opposed mainly because of its affording opportunities for fraudulent banking—because its tendency, unless amended as proposed, must be to supersede the sound systems of banking that were growing up in the principal cities, particularly in New York, with that unsteady, precarious and dangerous system which had so long oppressed and plundered our people, especially in the new states. It was this successful sound banking in the cities that has rendered the proposed national plan at all possible. Every state bank in the loyal states would to-morrow, mainly from motives of patriotism, reörganize under the proposed national law, if the state government would permit it to do so by an enabling act, and if the national law were amended as proposed, and so as to secure the proper individuality of the banks by name. There is no desire among any persons connected with existing banks, to deprive the government of one dollar of circulation which may be obtained for relief of the country by such bank reörganizing under the national law. It is true that opinions differ as to the practical benefits to result from the new law. But it may safely be asserted as the opinion of all the most experienced business men in all parts of the country, that the establishment of banks of mere *circulation*, is an injury, not a benefit, to the country; and that whatever advantage, from selling stock to form the basis of such circulation, may result to the government from organizing and establishing such banks, is more than lost by the debasing of the currency and the reduction of our ability to meet taxation, arising from the increased use of paper money issued by such a bank.

It is most assuredly a great advantage, if by adopting any measure the stocks of the government may be made thereby to rise in value. But if such measure be founded in a circu-

lating medium radically vitiated, tending to raise the *nominal*, not the *real*, value of the funds, it is no longer entitled to approbation. The Secretary boasts of creating a *home market* for our stocks by his measures, but really he has, by his issues depreciating the currency, made a premium of fifty per cent. on the money of the foreigner—being gold—sent here from Europe for investment in our securities; and whenever we resume specie payments this loss to our own people will become more fully apparent to them than it is now, the present premium on gold making the interest obtained for loans appear larger than it will when that premium ceases.

It has already been explained how the new national system of banking may be made safe and successful, and if the so-called friends of the administration in the State Legislatures are real, not false friends, they now have it in their power to prove it by passing enabling acts to allow the old banks to reörganise under the new system. Nay, more, if the administration, particularly the gentlemen in the Treasury Department, are really disposed to prove that they do not seek to add to the paper money circulation of the country by the creation of the new banks; if all they want is to have the national government secure the sale of a sufficient amount of stock to form the basis of, or security for, the whole paper money circulation of the country, they now have the opportunity to establish the fact beyond all cavil by favoring enabling acts in the State Legislatures, and such kindred legislation by Congress, as before explained, as will secure a safe and practicable national system of banking.

The true source of aid to the government is to be found in the accumulation of wealth by the people—in the savings of labor—in economy by individuals, by families, communities, and in the investment of such savings in the national loans. There can be, there is no other source of national wealth. Any system of "alchemy" which seeks other modes of procuring wealth, is as delusive as the schemes of the ancient alchemysts, sorcerers and astrologers, and is

to be classed with the tricks of the magicians. Benjamin Franklin expressed the whole secret of individual and national wealth in the homely phrase "save and have!" But people cannot save without a currency representing, at par with, or convertable into, the precious metals. That is impossible. All history proves this. The nation that relies upon a depreciated currency becomes debtor to every other nation and sinks into poverty and despicable weakness. True, a paper money may be so restricted as to be as valuable as gold, for it is in one sense the *quantity* not the *character* of a paper money which governs its value as compared with the precious metals and the currencies of other countries. Mr. Chase has depreciated our currency by the excessive quantity he has issued, of legal tender paper money, upon the mistaken theory that by making money excessively abundant, the people would be forced to invest it in the government bonds of long date. Unfortunately for this theory, the very excess of the issues tended to weaken public confidence in the financial measures of the department, and also made it more profitable to use the money to speculate with, during the rise in prices created by each sucessive issue. Hence the tardiness with which the public entered into the plans of the Secretary for taking up his long loans; and the negotiation only became successful at last from the overwhelming victories of the army, presaging a speedy termination to the rebellion. As early as May, 1861, he was earnestly solicited to have a "systematic and thorough appeal" made throughout the Union States, by Postmasters, newspapers, &c., in favor of subscriptions to the national loans, and with a view to avoid the excessive issues of paper money; but he saw fit to confer upon certain favored individuals this important duty, rewarding them with lucrative commissions, which, however small on each hundred dollars sold, must have already amounted to immense sums, in consequence of the many millions to which the loan has been sold.

Notwithstanding the vein of self-laudation in the Report,

leading one to infer that he has been enabled to supply all the financial resources needed by government under the legislation sought by him and passed by Congress, he was again compelled to apply to the banks of the three cities, as late as September, 1863—the very banks which his "national banking system," as explained by his Comptroller of the Currency, is intended to crush out of existence. Again those banks responded heartily to his call, and once more saved him from bankruptcy or ruinous delays in making the payments of his department. Yet, in the Report which he presented to Congress, at the opening of the session in December, he again brought forward the project of "discrimination" against these banks, and in "favor of the national associations," as if he had determined to drive the former out of existence, or so load them with taxation, in addition to the taxes already levied from them, that they must either wind up or go into the new system, alleging that the notes of the new banks are "capable, at no distant period, of being made equal to, and convertible into coin," but withholding the fact, that the notes of the State banks were redeemed in coin until he, instead of drawing upon them for his disbursements, and employing them as agents to make his disbursements, as the law provided, drained them of their specie. Had he, before he drew the coin from the banks, drawn upon them direct for the proceeds of the loans taken by them, and not transferred the coin of the banks to the Sub-Treasury, the coin would have remained in the banks as heretofore to constitute the foundation of the credit system of the whole country, individual as well as national. It seems almost needless to remark, that the drafts of the Treasury on the banks, as all business men know, were susceptible of being transferred from hand to hand, like other instruments of credit: they would have been a transferable and transmissible medium, circulating as a representative of value, available for all payments of the government, whether of large or small amounts. By this plain method he would have saved the employment of the precious metals, and a

very cheap instrument of payment would have been substituted for a very expensive one. These drafts, being representatives of coin, would have served all the purposes of coin in the ramifications of our internal trade and commerce, and the final payment of them, as experience in banking proves, could have been adjusted at the Bank Clearing Houses without the removal of the coin from the banks. Nay, more, they would have been converted into cash on presentation at the banks, and on the faith of this convertibility they would have passed as cash. The public had full confidence in the banks, and would not have made a run upon them for gold, knowing that the paper of the banks and the drafts upon them were secured by ample funds. There would also have been another immense advantage gained by this method of using drafts for government payments instead of specie, in the difference between a quick and a slow circulation, which Mr. Chase does not seem to have thought of. "The quantity of money necessary for performing a certain number of exchanges in a certain time may be considered nearly as in the inverse ratio of its velocity of circulation; whatever, therefore, tends to accelerate the general rate contributes to economise the necessary quantity:" so that if from any cause the rate of circulation be impeded, as it is in the case of employing and transporting the precious metals, a much larger quantity of money is required. If we take the single case of a city, as London or New York, it would be utterly impossible to transact the monetary affairs of either, at their present volume, if coin were exclusively used. There would not be room enough in the public streets for the wagons, carts and drays that would be employed in carrying the coin through the city, to and between the banks, railway stations, steamboat landings, and the offices and counting houses of the merchants, bankers and traders. Yet it was upon this system of carting and hauling specie for his payments that the Secretary commenced to manage his department, and continued for several months to manage it, at the breaking out of the rebellion. Hence the draining of the banks, to

the extent of one hundred and seventy millions of coin by the Secretary. It is impossible, therefore, that the new system of banking can be successful, unless it is so managed, and so directed by the legislation of Congress, as to bring us back nearer to the specie standard, and this is only to be done by contracting the paper issues, the revulsion that must ensue will not be so severe, if the Secretary so guides it as to make it gradual, as is generally apprehended; for we have already witnessed a fall in gold from seventy-two per cent. premium to twenty-one per cent. within a few months—less than a year—without serious injury to the general public, the principal sufferers being those immediately interested in speculations in that metal.

XI. The Financial Revulsion to come from excessive issues of Paper Money.—Can it be averted or its severity mitigated?—Suggestions for mitigating it.

That an over issue, or an excessive issue, of paper money produces a financial revulsion, sooner or later, is a well established law of finance. So far as the excessive issues of the paper money of government may cause such a revulsion, the apology of imperative necessity is the only real defence that Mr. Chase has to offer, and it is his best defence, because it is patent to every man that the issues have been excessive and the arguments of the Secretary to the contrary are contradicted by the facts. The Department had not sufficient skill in finance to organize the Sub-treasary to meet the crisis. So far as the paper money of the banks is concerned, that has remained nearly uniform, but it would be a great benefit to the country if by any lawful means the creation of more banks of issue could be prevented. Banks of issue are not required. There is really no necessity for having another one established. There are already too many; for the influence to be exerted by creating more bank note currency must be an extension of the inflation of paper money, and the consequent increase of ruin and disaster—and the increase of pauperism and

crime—which will accompany or flow from the terrible revulsion that must ensue. To avert this revulsion, or to mitigate its severity, would seem to be greatly within the power of the Secretary. The first mode is to use his influence, and procure the assistance of Congress and the state legislatures, in favor of organizing all the state banks, with their present names and existing assets, under the general law, with specie reserves, and under the regulations already suggested. These banks could then transform themselves into National Institutions, withdrawing their present circulation and replacing it with that secured by United States stocks. By this course we may avoid a repetition of that deplorable rivalry which was witnessed in the case of the last United States Bank, of Pennsylvania, and the "Pet Banks," which culminated in the disastrous revulsion of 1837.

In the course which we are now taking, by organizing new national banks to add to the circulating medium, we are only impoverishing ourselves, exactly as every country that relies upon paper money in excess, impoverishes itself to the enriching of the countries having a currency regulated by the precious metals. We have seen this already in the case of England and France, which are steadily draining us of the precious metals, and thus undermining the foundation of our whole financial superstructure. People say: "no one can eat gold—let it go—we can get along very well without it—we can do with paper." True, we cannot eat gold, but the people we send our gold to, principally for luxuries, are able with that gold to supply themselves with wealth, or the elements of wealth; and as to our getting on very well without gold, we have seen the consequences of such assertions in the ruin of the rebel finances at Richmond. Again, we have very recently found ourselves disappointed in the volume of our exports, the late plentiful harvests in Europe having reduced the exchangeable value of our grain, and if another similar harvest should be enjoyed by Europe next season, coïncident with a falling off in our own from the withdrawal of so many of our people from productive indus-

try, what is to be the consequence of the drain of the precious metals lasting so long? To stop this drain as soon as possible should be the earnest aim of the government. It can be stopped to some extent by getting forward the productions of the reclaimed states, especially the cotton and sugar. If we can secure this year only one million bales of cotton, leaving out of count the sugar of Louisiana, that quantity at present prices would equal in value the four millions of bales we have been accustomed to export in former years, from the crop of a single year. Hence the great importance of moving vigorously with our military and naval force in the occupation of as large a part of the cotton growing region as possible.

Another source of internal development is the encouragement of immigration: our recovery from the revulsion of 1837, was greatly owing to this element of industrial power; and so far as government can legitimately extend its aid, it should do so, to encourage the emigration thither of the surplus labor of other countries.

But it is upon the course of the Secretary that we must rely in a great degree for averting or mitigating the financial revulsion for which his excessive issues of paper money are preparing the way. By contracting or holding back his paper issues, as he receives them in payment for long bonds, he can divert the whole savings of the country from all other classes of permanent investments into the national loan, while, with his interest-bearing notes—which ought not to have been made a legal tender—he may absorb a considerable portion of the floating capital, if not the whole of it. In this way the people may be prevented from that resort to the credit system so fruitful of revulsion; and it would be, in the present state of the country, a great favor to the people to prevent abuses of the credit system. Every man should now try to get out of debt, and keep out of it. By doing so he confers upon the nation the power of using all the available credits for the war.

As to the interest-bearing legal tender notes, it is extremely

desirable that they should be introduced upon the market in small quantities, and at the longest possible intervals; for I apprehend that the making of them a legal tender, with their introduction in large volume at any one time, will produce the same effects that would follow the addition of a similar quantity of notes not bearing interest. For some months after their issue they will undoubtedly be used as money. This would have been avoided had they not been made a legal tender, and I trust that Congress will consider the propriety of abolishing this characteristic as regards the amount not yet issued; for, in case of a great demand for money, they are liable to be circulated at their face value, regardless of the interest upon them. In France, when the assignats were discredited, resort was had to the issue of mandats, bearing interest, in the hope that these latter would be withheld from circulation for the sake of the interest, but that hope failed, and the public used the mandats as a circulating money, thus hastening the final catastrophe which overtook the finances of the nation.

If it be deemed advisable not to exact the internal revenues in coin, now that the interest payable in coin upon the public debt approaches the sum total receivable in coin for duties on imports, it may be expedient to provide for paying the interest in legal tender paper upon loans hereafter authorized, although it would be more conducive to a high state of public credit to exact all the revenues in coin, or its equivalent, and pay the interest on all kinds of public securities with coin. We shall lose prestige, as a nation, by every departure from the true policy of paying our interest in the currency of the world—the precious metals. If the resumption of specie payments upon all obligations of the government be deemed impracticable, except at a very remote period, by limiting the amount of interest payable in coin to an amount nearly corresponding with the customs' duties, issuing other debt bearing interest in paper, resumption at an early day might be facilitated, although it is somewhat doubtful if it would.

Much has been said about preventing our securities from

going into the hands of foreigners, and it is strange, if all that has been said were intended to be taken as it seems to have been meant, that Congress has not been requested to pass an act to prevent foreigners buying any of our national securities. Now, the case of a new country, requiring *capital*, is very different from that of an old country, having a surplus of capital. If we did not require capital to develop our vast resources, then it might be an evil to have foreigners send their capital here; but as we get *capital* from them, and they draw only the *interest* from us, and as we have the use of the capital while it remains with us, the advantage must be in our favor, so long as capital can be profitably employed among us. Those who scout the idea of permitting foreigners to invest in our national loans, seem to forget which side of the Atlantic they are on, as the circumstances which would justify their conclusions would require us to be on the other side of the Atlantic, putting money in American securities, and not on this side of the Atlantic, receiving the money of the older nations which have excessive accumulations of capital. To complain that foreigners will draw interest from us on capital loaned us, "is like a miller complaining, in a season of drought, that so much water runs into his mill-dam that some of it runs over." Besides, is it not true, that where people's treasure is, there will they feel a desire for the prosperity of the people? and thus, by uniting the people of other countries to us with our debt, we gain their good wishes.

XII. Importance of a Sound Currency, Equal To, or Based Upon, the Precious Metals—Illustrations, Examples, &c.—The Glorious Prospects of Our American Future—Conclusion.

It was a prevalent superstition in the dark ages, that money was the great desideratum in all aspirations after national or individual wealth. Hence the customs of hoarding, debasing the metallic currency, and directing national policy so as to accumulate money. Diffusion of knowledge among the people has dispelled that ignorance. It is now

found that the nations which absorb and hoard most of the money of the world are, and always must, remain the poorest; and that those nations are the richest which keep their stocks of money sufficiently limited to prevent their markets being the best of all the world to sell in, and the worst of all the world to buy in. No device of man has been able to perfect any kind of money, to accomplish the best objects of society, except that composed of the precious metals, or equal to, or representing these, or convertible into them on demand. These metals constitute a standard of value independent of the will or caprice of any man. The measure of their value is the quantity which the Creator has made in the earth, accessible to human labor. The stamp on a piece of coin does not add to its value, but only to its convenience for use. Take away the stamp and the value remains. Not so with paper—it is too plentiful—it can be had for a trifle. It has no value in itself.

Fraud and oppression have generally characterized paper money. Scheming knaves have used it to cheat the public or defraud their creditors; and even honest people, compelled to submit to its use, are made the instruments of adding to its iniquitous power, by their efforts to get rid of it, in exchange for tangible property, so as to avoid being the last to hold it when the crash comes. At the present moment we see our people, under the influence of an expansion of legal tender paper, speculating wildly in property of all kinds, each one trusting that he will be luckier than his neighbor, and not get caught with fictitious values in a falling market, when the revulsion sets in. We thus see the phenomena of the gambling saloon in all our marts of trade and finance. It is a lottery of property, on a vast scale; as Thomas Jefferson said: "paper money makes a lottery of all private property."

Although banks have frequently improperly expanded their issues, and thus depreciated the currency, yet there is a wide distinction between paper money that is payable in coin on demand and that which is not so payable. In the

case of bank paper, the banks are compelled, unless government frees them from the obligation, to procure and keep gold and silver to pay their notes with, and if these are not in the country, the banks send to other countries and bring them here. But in the case of a government paper made a legal tender, not redeemable in coin, the gold and silver money are driven out of the country by it. Paper, not redeemable in coin, is therefore the dearest or most costly kind of money that a nation can use, because it drives away the real money, which is so much wealth lost to the country, since the people must bring it back again, or procure an equal amount of it in exchange for an equal amount of wealth, before the currency can be restored to its sound and safe condition. It is evident, therefore, that no government, which consults the true welfare of the people, will persist long in forcing them to use an irredeemable currency. It is the boast of our republican system of government, that it unites authority with usefulness; in brief, that it is made for the people. Under monarchial and despotic forms, governments too often act upon the principle that the people are made for the ruler or his dynasty. Hence the abuses of authority under the latter, and the sedulous regard for the welfare of the people under the former.

Dr. Bollman, depicting the state of affairs in the south of Germany, half a century ago, when the depreciated paper currencies fluctuated twenty or thirty per cent. in twenty-four hours, remarked: "As soon as it (the currency) begins to fluctuate we find the prices of all commodities unsettled. Contracts on time can no longer be entered upon with any degree of safety. The doubtful state of things paralyses the usual business. As depreciation makes progress, conscientiousness and delicacy of conduct, whenever property is concerned, vanish. Good faith in trades exists no longer. The moral principle, to which steadiness and order are alone congenial, gives way. Men in office conceive that they have a right to indemnify themselves by indirect means for the loss they suffer in consequence of the diminished value of

their appointments. Men in business seize every advantage they can to repair past losses, against which they could not guard, or to make provision against those with which they conceive themselves threatened. The practices of cheating and overreaching spread. Establishments requiring large investments, and of which the returns are late and gradual, languish, and are at last discontinued. All important operations of distant emoluments are neglected. The whole nation seems at last to exist only from day to day. All is gambling. A mean traffic, and paltry speculations in the depreciated currency, are the prevailing pursuit. Character gives no longer credit. Honesty is useless. A total perversion of all rule obtains. While fair men suffer, bad men thrive. Brokers and usurers fatten on the diseased body politic. Magistrates become now habitually corrupt; justice venal, and protection uncertain." To this state of things—traced in still bolder features in France and in England, as well as parts of Germany—we are now verging, with this difference, that all commodities among us have become subjects of wild speculation, while the currency itself, being a legal tender, remains apparently of one uniform value, although it is really the thing that fluctuates in value and causes all other things to follow in its path.

We are now congratulating ourselves upon the great apparent prosperity of the country, and organizing new banks, precisely as the English did in their struggles with the French, when, in seventeen years, between 1793 and 1810, they increased their banks from two hundred and thirty in the former year to seven hundred and ninety-six in the latter, the paper money increasing from about thirteen millions in 1795 to nearly twenty-nine millions in 1814. The failures which took place in 1816, and again in 1825, proved how disastrous had been the inflation. Shall we go on in the same path, creating new banks and inflating our currency?

An abundance of paper money is erroneously, by some parties, supposed to reduce the rate of interest, and the Secretary in his Report, speaks of the average rate he is paying

on the public debt, "without regard to the varying margin between coin and notes," as less than *four per cent.* in October last. In point of fact, however, gold being at fifty premium, he is paying nine per cent. on his six per cent. bonds; and his one year certificates, being at two per cent. under par, yield at the market rate *eight* per cent. per annum; and in estimating his increasing debt, he overlooks the high prices incident to the excessive issues of legal tender paper, as one of the main causes of the large increase of the national debt. Indeed, he seems to view the distribution of these notes as an element of "national unity and national strength," because, as he states, "every holder of a note or bond, from a five cent. fractional note to a five thousand dollar bond, has a direct interest in the security of national institutions, and in the stability of national administration." Now, to assert that the patriotism of the people required the excessive issues of legal tender notes in order to give them this "direct interest" in the country's welfare, betrays a distrust of that patriotism, which the Secretary, on mature reflection, will, no doubt, readily disavow; for no where, in all the history of our race, have people evinced so much patriotism in pouring out their life-blood as well as their treasures, in support of their nationality, as have our people of the loyal States in this struggle with an infamous rebellion.

In that part of the report of the Secretary, relating to the legal tender notes, he says: "For the first time in our history has a real approach to a uniform currency been made;" and that it "is every where acceptable." We once had a uniform currency of gold and silver, as there now exists in California, where the Secretary's currency which he terms "uniform," is quoted at thirty-three per cent. below par. It is unquestionably true that the depreciation of the legal tender paper is nearly uniform, as far as notes of the same denomination are concerned. But it is very evident that the lofty estimate which he makes of the practical benefits of the legal tender currency, issued in such excess that it fluctuates in value every hour of the day, as compared

with gold and silver coin, is one of those visions by which men have been so often misled in the enthusiastic pursuit of a favorite theory. It is the very essence of money to possess intrinsic value, and on this account the precious metals have been adopted by the common consent of mankind, as a general medium of exchange, or universal equivalent. It is not requisite to have so much coin in a country as to make all payments in these metals, although this seems to be a view of the Secretary, who pleads the urgency of having "money" to make his payments with, so completely is he unacquainted with the business of banking, in which checks, drafts, bills of exchange and book accounts are made to perform the functions of money; and had he been familiar with these details of the practical transactions of finance, he had in the one hundred and twenty millions of coin which he drew from the banks, a basis for the whole currency of the country; the foreign exchanges at that time were all in favor of this country, and gold was coming to us from other nations.* The use of coin is to redeem the notes brought in for payment, and thus preserve the circulation equal to coin, so that the holder of a note should always have the option of exchanging it for coin at pleasure. To satisfy this option, experience shows that it requires only a moderate portion of coin, compared with the whole currency; for the holder of a note payable in coin is generally satisfied if he can obtain for his note a quantity of commodities *equal in value* to the *quantity* of the *precious metals* specified in it.

The Secretary also expresses his gratification at the decision made by the Court of Appeals of New York in favor of the constitutionality of the legal tender act. Let us consider the situation to which we may be reduced, should the Courts of the United States confirm that decision. All

* In the speech of Mr. Chase, at Indianapolis, published in the *National Intelligencer* of October 20, 1863, he said: "I borrowed all the gold there was in the country. In this way I obtained about one hundred and seventy-five millions of dollars in gold."

property and contracts would at once be governed by the increase or diminution of the Secretary's issues; there would no longer be any other measure of the prices of property, the monetary standard of value would become the will of the Secretary, and his individual decisions, as to whether he should call in or let out his issues, would become the standard of the value or the measure of the wages of the labor and the property of every man, woman and child in the country. There would not be any substance, measure or weight of any kind to which the paper money could be referred as to its value. There would be no commodity of intrinsic worth for the correction of the quantity of paper issued, or for the maintenance of its value. The paper dollar, in legal tender, might one day be worth sixty cents and the next day only fifty, or go down, under excessive issues, should Congress repeal the limitations, so as to deprive the working man of half the reward of his daily toil and individuals of half their property; for the moment we abandon the precious metals as the constant standard of reference, there is no limit to the degree of depreciation to which paper circulation may in time be expected to descend. Therefore, if the principle which Locke—book on government, page 236—states be just, "that the preservation of property is the great end for which man enters into society"—if men in society have a right to their property, and the laws of the community confer upon them that right—nobody has a right to take any part of it from them without their consent; and if this be the principle which ought to regulate intercourse between man and man, how much more ought that principle to be observed by the Legislature itself, to whom has been committed one of the most sacred of all trusts, and whose breach of any sound and salutary principle will be the more criminal, in proportion as such breach will be more extensively mischievous. A distinguished writer has expressed himself with peculiar emphasis on this point. He says: "It is evident that every rise (from the excess of paper circulation) in the money price of commodities is, in other words, a fall in the commodity

price or exchangeable value of money. It is likewise established by experience, and before actual experience might have been inferred from the nature of the thing, that every depreciation of the value of the circulating medium is accompanied with much inconvenience and distress. . . . . The value of monied capital is diminished, and the livelihood is injured, of all those persons whose income is limited to a fixed sum of money. . . . . The grossest injustice likewise must unavoidably ensue with regard to the performance of all contracts previously agreed on."

Josiah Quincy wrote to Genl. Washington, November 27, 1780: "To restore the credit of paper by making it a lawful tender, by regulating acts, or by taxes, are political maneuvres that have already proved abortive, and for this obvious reason, that in the same proportion as ideal money is forced into currency, it must, from the nature of every thing fraudulent, be forced out of credit. I have said 'from the nature of every thing *fraudulent*,' because I am firmly of the opinion, and think it entirely defensible, that there never was a paper pound, a paper dollar, or a paper promise of any kind that ever yet obtained a general currency but by force or fraud; generally by both."

Theories of law, which would sustain the constitutionality of these issues of legal tender notes—put out in unnecessary volume, and causing a suspension of specie payments—appear to be of most dangerous tendency. Even when gold was down to twenty-one per cent. premium, the Secretary refused or neglected to put his loans on the market, call in his issues of green backs, and maintain the legal tender currency so near the value of coin. And it is a standard of value or currency thus regulated which our courts are requested to sanction!

Even that publicity of the *quantity* of his issues, which is usual in other countries, and which he insists upon exacting from the banks—page 21—has been withheld. The fourteenth section of the Act of Congress, approved December 23, 1857, makes it the duty of the Secretary of the Treasury

to cause a statement to be published monthly of the amount of treasury notes issued and paid or redeemed, showing the amount outstanding each month. This section has been re-ënacted in every bill to provide Ways and Means, and as recently as the 3d of March last. Why has the Secretary of the Treasury not complied with it? No one can deny the utility of such a statement. It would be a guide to the various fluctuations in the rise and fall of the precious metals to every person engaged in active pursuits, and enable our own people to shape their business so as to avoid losses, which, in the absence of such intelligence, they are compelled to suffer, generally to the profit of foreign bankers, whose sources of information at the seat of government are too often better, in the absence of publicity, than those accessible to our own people. It has always been a feature of despotic governments to withhold information from the public, but as favorites can obtain such information indirectly, the only effect of such a course is to place the whole community at the mercy of the favorites of government.

The steady advance in the price of gold is wholly in consequence of the inflation of the currency; for bullion, like all other commodities, becomes dear in proportion as the circulating medium—like an extravagant issue of paper money which supplants it—is rendered abundant and cheap. An excessive issue of paper money acts upon prices of bullion, and all other commodities, precisely as if the coined money were reduced in value, which was the fraudulent course pursued by the governments in the dark ages; when pressed for money, they called in all the coin they could procure, and, in the peculiar phraseology of those times, they proclaimed "a rise in the standard," making a smaller quantity of pure metal in each piece. Some of the current coins in Europe have thus been reduced to a fifth or sixth of the quantity of pure metal which they once contained.

It is supposed that an excessive inflation of paper money not only reduces the rate of interest but also keeps up the prices of government securities. In the case of England,

before the bank suspended cash payments, in 1793, the government three per cent. stock sold at ninety-five, and in 1797, after the suspension, having depreciated more than fifty per cent., it sold at forty-six, in the depreciated currency, while the loans negotiated during the suspension of cash payments were at very heavy discounts. In our own case we see government stocks (five-twenty bonds), at "par," although the high premium on gold secures the equivalent of nine per cent. per annum interest upon them; and gold being at fifty premium, the five-twenties really bring the government only sixty-six in coin, or its equivalent.

In New York the rate of interest, having fluctuated very much, has recently advanced to as high a point as it usually attains under a specie currency; and in the case of all inflations of paper money, the demand for money during the increase of prices, tends to keep up the rate of interest to the highest point. Hence the constant demand for more issues of paper which prevails at such periods, the advocates of further issues contending that the high rate of interest is positive proof of the necessity for creating more and more paper money.

In addition to what has already been said of the importance and utility of a specie currency, it may be observed that as a protection to *home industry*—as a permanent measure of value for the wages of labor—it is preëminently desirable. It has unfortunately been too often the case, that all our efforts, as a people, to organize profitable systems of home industry have been defeated by paper currencies, which have made us, by their inflations, incapable of supplying ourselves with many descriptions of manufactured goods for which we needed no other protection than that found in a sound and uniform currency. The losses through bankruptcy and unfortunate speculations, created or fostered by our paper currencies, have been frightful; and if it should prove, as the Secretary seems to desire, that the rebellion of 1861 shall be the means of securing to the American people a sound and permanent currency, I do not hesitate to

say that it will have been cheaply purchased by a national debt of even two thousand millions of dollars; but the deplorable loss of life, incident to the struggle is a terrible calamity for which the wicked authors of the rebellion will be held infamous throughout all time. Those of our people who have sacrificed their lives in defence of the country and the union, have bequeathed to their posterity a legacy above all price, and I trust that in addition to pensions to their surviving families, or dependents, "*a merit roll of freedom*" will be established at an early day, on which their names may be inscribed, and their memory perpetuated, not only in the records of the government at Washington, but in the records of the states, cities, towns and wards from which they volunteered.

I remember with what patriotic gratification a very near relative cherished the recollection of his having served in the war of the Revolution; and had he transmitted no other memento than this to his posterity, it alone would have been sufficient to constitute a legacy of patriotic renown more valuable than the greatest estates, or the richest treasures of gold and silver. So it will be with every man, and the relatives or descendants of every man, who has taken part in the present struggle for our national life: that service will be enough to immortalize him; for out of the toils and trials of this great calamity, there is to my mind no reasonable doubt that our country will emerge, regenerated and disenthralled, to enter upon a new career of prosperity and greatness, under the blessing of Providence, far surpassing anything known in our past history, glorious as that has been. Unhappily for us, the administration of our government was, in many departments, in hands wholly inexperienced, but I believe patriotic; and the wicked conspirators against our nationality calculated, doubtless, that this very inexperience would prove advantageous to their schemes, as it has to some extent, but what the administration has lacked in skill, has been more than made up by the patriotism of the people and the personal integrity of the

President himself. We happily soon got rid of the early mismanagement of the War Department, and it may be hoped that the Treasury Department and the finances will yet be brought back to what the teachings of skill and the dictates of patriotism require. It cannot be disguised, however, that the administration has been unduly sensitive to criticism, and in dealing with citizens who differed with them as to the best mode of conducting the government, there have been manifested, too often, intolerant sentiments, particularly in classing dissentients from government policy as sympathizers with the infamous rebels.

Party spirit and party prejudices have been fomented by the distribution of patronage, men of undoubted patriotism having been proscribed for difference of political opinion. It was unhappily true that the majority of the rebel leaders had been the companions and associates of the opposition party in the loyal States. But, in 1861, at the breaking out of the rebellion, party ties were disregarded by all prominent citizens of the loyal States. We were all united in April, 1861, when the conspirators seized Fort Sumter. The divisions that have since sprung up, may in great measure be traced to the attempt to administer the Government upon partizan principles, the turning out of office of brothers or fathers of men serving in the army, the removal of faithful officers, to make room for partizans, and appeals to the cupidity of mankind in the distribution of official patronage, to secure partizan support to individuals high in the management of national affairs. Among the wonderful incidents of the time, none is more extraordinary than the number of foreign missions, executive offices, &c., lavished upon the reporters of the press, "those *gamins* and good fellows of literature; fellows of inexhaustible resources, who carry their wits literally at their fingers' end, and who sketch out a much better speech, between an orator's shoulder blades, than he is making in front." But all such efforts to bias the judgment of the future historian will fail; the character, capacity and official acts of those who now direct

the affairs of state, will be impartially judged by posterity; for party prejudices will soon pass away. Augustus Cæsar thought fit for his interest to be bountiful and grateful to Virgil and Horace, but their verses have not saved him from those just reproaches which have come down to posterity. It is also remarkable how active a part was taken, how many offices were held, during the French Revolution, by a host of clamorous writers, of vast importance in their day, whose influence and notoriety, and those of their patrons, were soon buried, without the possibility of resuscitation.

Our suffering country will, I fondly hope and trust, survive the calamities, the errors, the passions and the party prejudices of this momentous period. To save it, however, will require all the patriotism, religion, self-denial and zeal with which our patriotic fathers carried it so successfully through the ordeal of the revolutionary period. Heroes, sages and statesmen, who knew only their country's good, made that period illustrious and memorable. This period of trial has established the gratifying fact, that the race has not degenerated. Let us then cherish the true men who have come forth to prove themselves worthy of being our leaders. Let us raise higher the standards of public favor, and stay the tide of partizan animosities and greed of gain which threatens to overwhelm us in corruption and ruin. There are higher and nobler aims than personal aggrandizement and the amassing of wealth during this hour of national calamity, and it is the duty of the patriot, whether statesman, editor or clergyman, to direct the people to them. The crisis demands fearlessness in every man whose tongue or pen can expose the dangers of those material considerations which now so largely engross the attention of official circles, and which tend so much to demoralize public sentiment. Party rancor should be subdued, and the fate of the slave-holding interest, which had sought so long, through partizan organizations, to control the government—at last commiting political suicide, in its vain attempts at continued domina-

tion—should warn all parties, seeking their own material advancement at the sacrifice of their country's welfare, that a people who can endure the trials of the present, will not suffer a recurrence of these trials from the same cause. By rising to higher and nobler aspirations than those which are prompted by greed of gain, our public men will find themselves endowed with a larger share of public confidence, and the country will be saved from those encroachments upon popular liberty and free institutions which are dictated by the groveling instincts of personal gain; for the highest and noblest form of human selfishness is that which seeks its own renown in promoting the best interests of the people, regardless of partizan, sectional, or selfish motives.

New York, *January 8th*, 1864.

WASHINGTON'S OPINION OF PAPER MONEY.

Genl. Washington wrote to Lund Washington: "West Point, August 17, 1779. Sir—Some time ago you applied to me to know if you should receive payment of Genl. M———'s bonds, and of the bond due from the deceased Mr. M———'s estate to me; and you were, after animadverting a little upon the subject, authorized to do so. Of course I presume the money has been received. I have since considered the matter in every point of view in which my judgment enables me to place it, and am resolved to receive no more old debts (such, I mean, as were contracted and ought to have been paid before the war) at the present nominal value of the money, unless compelled to do it, or it is the practice of others to do it. Neither justice, reason, nor policy requires it. The law, undoubtedly, was well designed. It was intended to stamp a

value upon, and to give a free circulation to, the paper bills of credit; but it never was, nor could have been, intended to make a man take a shilling or sixpence in the pound for a just debt, which his debtor is well able to pay, and thereby involve himself in ruin. I am as willing now as I ever was to take paper money for every kind of debt, and at its present depreciated value, for those debts which have been contracted since the money became so; but I will not in future receive the nominal sum for such old debts as come under the above description, except as before specified.

"The fear of injuring, by any example of mine, the credit of our paper currency, if I attempted to discriminate between the real and nominal value of paper money, has already sunk for me a large sum, if the bonds before mentioned are paid off; the advantage taken in doing which no man of honor or common honesty can reconcile to his own feelings or conscience; not as respects me, do I mean, but transactions of this kind generally. The thing which induces me to mention the matter to you at present is, the circumstance you have related respecting the wages of Roberts, which you say, according to his demands, will amount to upwards of two thousand pounds, and come to as much, for the service of a common miller for one year only, as I shall get for six hundred acres of land sold to M——— in the best of times, and the most valuable part of Virginia, that ought to have been paid for before the money began to depreciate; nay, years before the war. This is such a manifest abuse of reason and justice, that no arguments can reconcile it to common sense or common honesty. Instead of appealing to me, who have not the means of information or knowledge of common usage and practice of matters of this kind in the State, or the laws that govern there, I wish you would consult men of honor, honesty and firm attachment to the cause, and govern yourself by their advice or by their conduct. If it be customary with others to receive money in this way—that is, sixpence or one shilling in the pound for old debts; if it is thought to be promotive of the great cause we are embarked

in for individuals to do so, thereby ruining themselves while others are reaping the benefit of such distress; if the law imposes this, and it is thought right to submit, I will not say aught against it, nor oppose another word to it. No man has gone, and no man will go, further to serve the public than myself. If sacrificing my whole estate would effect any valuable purpose, I would not hesitate one moment in doing it. But my submitting in matters of this kind, unless the same is done by others, is no more than a drop in the bucket. In fact, it is not serving the public, but enriching individuals and countenancing dishonesty; for sure I am that no honest man would attempt to pay twenty shillings with one, or perhaps half of one. In a word, I had rather make a present of the bonds than receive payment of them in so shameful a way. I am, &c.

Genl. Washington wrote to President Reed, August 22, 1779: "Perhaps I do not understand what they mean by using the sponge. If it be to sink the money in the hands of the holders of it, and at their loss, it cannot, in my opinion, stand justified upon any principles of common policy, common sense, or common honesty."

Genl. Washington wrote to Thomas Jefferson, August 1, 1786: "Genl. McDougall, who was a brave soldier and a distinguished patriot, is also dead. He belonged to the Legislature of his State. The last act of his life was (after being carried on purpose to the Senate) to give his voice against the emission of a paper currency."

Gen. Washington wrote to Thomas Stone, February 16, 1787: "I contend that it is by the substance, not with the shadow, of a thing we are to be benefited. The wisdom of man, in my humble opinion, cannot at this time devise a

plan by which the credit of paper money would be long supported; consequently, depreciation keeps pace with the quantity of the emission, and articles for which it is exchanged rise in a greater ratio than the sinking value of money. Wherein then is the farmer, the planter, the artizan benefited? The debtor may be, because, as I have observed, he gives the shadow in lieu of the substance, and in proportion to his gain the creditor or the body politic suffers. Whether it be a *legal tender* or not, it will, as has been observed very truly, leave no alternative. It must be that or nothing. An evil equally great is, the door it immediately opens for speculation, by which the least designing, and perhaps the most valuable part of the community are preyed upon by the more knowing and crafty speculators."

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